

EUROPEAN COAL AND STEEL COMMUNITY
EUROPEAN ECONOMIC COMMUNITY
EUROPEAN ATOMIC ENERGY COMMUNITY

COMMISSION

Programme
of the Commission
for 1977

BRUSSELS LUXEMBOURG
February 1977

The President's address and annexed memorandum, which formed a single volume with the General Report in previous years, are being published separately this year.

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**Address by Mr Roy Jenkins,
President of the Commission of the
European Communities,
to the European Parliament
on 8 February 1977**

I remember being told, when I was first a Member of Parliament, that the really difficult speech to make in the House of Commons was the second one. For the first there is the disadvantage of unfamiliarity, but this is more than counterbalanced by the friendly indulgence of the audience. For the second there are inevitably more critical eyes and ears.

This inherent difficulty is compounded by the fact that the 'Programme Speech' at the present stage of our institutions poses several special problems. First, unlike the January speech which is a statement of personal conviction and aspiration, this one has to be more of a collective statement for my colleagues as well as myself. Second, the concept of a 'programme' for the Commission is not an easy one. To lay down a programme is to ask to be judged by one's success in carrying it out. For a government which has adequate legislative command that is a fair test. But the Commission is not a government. And this Parliament is not yet a legislature. The Commission proposes, as has often been said, but the Council disposes. Sometimes, as after the Paris Summit four years ago and at the beginning of the life of the previous Commission, it looked as though a broad but encouraging mandate for action had been given, and the programme almost wrote itself. The encouragement proved largely illusory, as we know to our cost; but for a time it was easily possible to combine adventurousness with apparent realism.

That is not the position today. It certainly does not follow from this that we should abandon adventurousness. But it does mean that we must distinguish in our minds between those things we can do, and those which we would like to do. Our thinking must be infused by both but if we put them forward on an undifferentiated basis we shall inevitably invite scepticism about our grasp on reality.

To some substantial extent, also, what we can do overlaps with what we have to do. Looking back on the work of the Commission over the past month—and reporting to you, as is appropriate, upon it—I am struck by the extent to which we have necessarily been concerned with on-going business. We have not allowed ourselves to be submerged by this, and we have indeed held several special sessions at which we have devoted ourselves exclusively to longer-term issues. But much of our ordinary meetings has been taken up with questions of internal organization, with

fish, with agricultural prices, with the renewal of the Regional and Social Funds, and with enlargement, with particular reference to Portugal.

This is not only inevitable but indeed desirable. There would be something seriously wrong if the Commission, after two decades of life, were primarily thrashing around in the abstract and not dealing with items of practical business and decision. The reputation of governments, as we all know from our practical political experience, is often made or lost by how they handle issues which are the product of circumstances, foreseen or unforeseen, rather than by their pre-office commitments. So to some extent must be the case with the Commission. Our ability to command respect and support for our longer-term plans will depend considerably on how effective we are in helping to provide solutions to immediate problems.

I therefore begin with an issue which is both pressing and continuing: our *policies for food and agriculture*. I do so partly because, as a matter of inescapable fact, the most urgent task now facing the Community is to put forward our proposals for next year's farm prices. I do so also because the common agricultural policy is, as it always has been, one of the cornerstones of the Community. It is an outward and visible sign of the political will for integration. But it is becoming increasingly clear that unless rapid action is taken to keep it in place, the cornerstone may be dislodged.

The principles on which the common agricultural policy is based have been vindicated over the past few years. It has helped consumers to enjoy secure supplies, and producers, stable markets. Through all our discussions about the policy's future we must not lose sight of that central fact. But we must also realize that the policy is threatened as never before. Monetary fluctuations have disrupted the single market. Surpluses and lack of outlets limit the room for manœuvre. Consumers rightly insist that our policies for agriculture must be consistent with our other economic objectives, and particularly with the overriding need to combat inflation. Our proposals for this year's farm prices will be framed in this context. I have no doubt that the prudent course will be one of price moderation.

As well as submitting price proposals we must look more deeply at the underlying problems in the agricultural sector. The fundamental questions are clear. How can we assure stable markets and fair incomes for producers, and at the same time guarantee supplies at reasonable prices to consumers? Should we plan, in the different and more difficult employment circumstances of today, for a continued movement of labour from the land, or should we for social and environmental reasons

seek to encourage and sustain farming activity, if necessary on a part-time basis? How do we resolve the regional differences, the structural difficulties and the disparities of income? How is European agriculture to fit into the future world system, subject as it is to climatic change, population increase and demands for higher living standards? These questions cannot be answered merely by managing the existing mechanisms of the common agricultural policy. We need to look closely at its long-term objectives. This will provide one of our most important priorities in the year ahead. Our review must serve, nor merely to keep the common agricultural policy afloat, but to chart its course in the right direction.

In the fisheries sector, the Community has to build a policy suited to the new division of the world's seas. The extension of limits from 12 to 200 miles brings within our authority a vast expanse of waters. But at the same time the extension of limits by other countries poses problems for our deep-sea fleets; and there is also the regulation of fishing by third countries in Community waters. Out of these diverse elements, we have to create a policy satisfactory to all, which truly meets the common interest. Only in this way can the sea's resources be equitably managed and garnered, thus ensuring the conservation of fish stocks and a fair division of the harvest. Each day's delay in the achievement of this policy puts at risk the resources of the future.

If the common agricultural policy has always been at the heart of the Community, so even more centrally has the wider process of economic integration itself. Here, too, we face a real danger that, so far from making further advances towards economic union, we may slip back and imperil the advances made by our predecessors. It is to that danger—and to the policies which will be needed to overcome it—that I now turn. It is, I believe, by far the gravest danger facing the Community at the present time. Few would now dispute that the road towards economic union is longer and harder than it seemed likely to be in the early seventies. But to abandon the goal merely because the road towards it is difficult would be an abdication of responsibility. If we fail to move forward towards greater economic integration, we shall sooner or later move back. And if we move back, it will not be in the economic sphere alone.

- We face here three formidable, and interlocking, obstacles to advance. The first is the stubborn persistence of high unemployment. Second are the high, though varying, rates of inflation throughout the Community. The third is the widening gap between the economic performances and real standards of living of our Member States. These three obstacles reinforce each other. The weakest economies have the highest

rates of inflation, and therefore the weakest currencies; currency depreciation adds fuel to inflation. High unemployment in the weak economies holds back recovery in the strong as well; and as the gap between living standards widens, support for the process of economic integration is undermined. If we are to move forward, we must move to overcome all three obstacles together. That will provide the central theme of our economic policies in the period ahead.

We must pursue it first through the further development of the existing system of national policy coordination. This means working with the Member States in the Council and in the official Committee system. It also means working with the social partners organized across our Member States, and of course with Parliament as well. I have been encouraged already by the realistic and positive attitudes of the delegations of the European Trade Unions and the employers' organizations, which both came to see me at the end of last week: we look forward to building on the Tripartite Conference initiative of last year. For if a Community economic strategy is to be devised, the Commission, Parliament, the Economic and Social Committee and the Social Partners will have jointly to define in what ways, in what degree, and on what terms a new kind of Community economic solidarity is to be formed. Together with the Council, we have to forge practical links between the predominantly national economic policies of individual countries; to provide soundly-based technical solutions to Europe's economic problems; and to underpin these solutions by consensus not only between Governments but between the interest groups concerned.

The work of analysis and coordination is only a beginning. It must be supported by the selective intervention of the Community in the European economy as a whole. One of the first steps the new Commission took was to reorganize its portfolios so as to assure a proper policy coordination and budgetary control of our existing funds. The present tools are of two kinds. First, there are the structural instruments, Regional and Social Funds and the European Investment Bank. Second, there are loans to assist in balance-of-payments financing. Proposals will soon be made to renew the Regional and Social Funds. But these funds provide only small openings into two of our fundamental policy priorities. We must see regional policy not just as a matter of renewing and spending a tiny Regional Fund, but as one of the main dimensions of Community economic policy as a whole; by the same token, social and employment policy go much wider than the Social Fund.

Further initiatives are therefore needed as well. In the first place, the Commission undertakes to devise a general policy to concentrate its present and future financial resources on the central problem of economic divergence. But that is not, in itself,

enough. On the one hand, the existing funds are extremely small—both absolutely, and in comparison with the sums spent by the Member States on similar purposes. For example, the Community's Regional and Social Funds are operating at rates of around one-sixth to one-tenth of national expenditure in the same field. The Funds are also restricted by narrow and rigid criteria. On the other hand we have a Community loan mechanism which has proved itself useful in the past, but which has been designed to deal essentially with balance of payments problems.

I believe that between these two kinds of financial activity there is a gap which must be filled if the Community is to be of genuine help to its weaker economies. We must devise a more diversified and flexible means of responding to the urgent needs of various parts of the Community economy—a means which takes account of the fact that the underlying causes of cyclical problems are often structural. We need the means to enable the root causes of economic weakness to be tackled vigorously but flexibly. We shall work out our ideas and consult Member States about how they can best be put into effect.

Of course, policies that cost money are always controversial. In particular, it may be said that the gap between our Member States is so wide that no conceivable Community intervention could narrow it significantly: that resources devoted to narrowing it would disappear into a bottomless pit. I reject that view as a counsel of despair. The gap between the Member States is certainly wide, but so are the gaps between the richest and poorest regions of many of the Member States themselves. On recently available figures, the income per head of Schleswig-Holstein, the poorest of the German Länder, is 55% of the income per head of Hamburg. In the United Kingdom, Northern Ireland's income per head is 62% of that of the south-eastern region. In France, that of the Midi/Pyrénées is 58% of that of Paris. In Italy, Calabria's is 41% of that of Lombardy. Indeed, the same order of discrepancy appears in developed States outside the Community. In the United States, Mississippi has only 57% of the income per head of Connecticut and in Canada, Newfoundland has only 58% that of Ontario. Italy a little apart, the concentration throughout the world around a percentage in the high 50s is indeed remarkable. But what should be noted is that these discrepancies within nations apply after the massive modern mechanisms of public finance have been applied. Within the Community there has so far been no such massive mechanism, only the recent and relatively puny efforts of the various funds. Yet the national discrepancies, while greater and now growing larger, are not in my view impossibly or hopelessly dauntingly so. They are not of a totally different order of magnitude. Ireland's income per head for example is 46% that of Denmark. All enlightened modern States—certainly all the Member States of the Community—redistribute income from their richer regions to their

poorer ones; none accepts the argument that because regional imbalances are hard to overcome, no attempt should be made to do so. What the Member States do within their national frontiers, we should seek to do in the Community as a whole.

Of course, a solution cannot be found overnight, but nor can we choose deliberately a long delay before action. If Europe had been advancing rapidly towards greater economic integration in the past few years there might be a case for pausing to take breath: if events were carrying us forward of their own accord, we could sit back and let them take their course. But that is not the situation that now confronts us. The blunt truth is that there is no costless way of mastering the forces of divergence. But the weaker economies should not in my view be helped unconditionally. As the Community funds are developed, the Community must seek methods of ensuring that proper disciplines are observed. That does not alter the central fact. We must not act disunion while talking union. If economic union is to be more than a phrase, both the richer and the poorer nations of the Community must accept the reality of the Community's role.

The third area in which a new advance is needed is that of *industrial policy*. Europe's industry is the principal creator of wealth; and the role of the Community is to create conditions in which manufacturing industry and commerce can prosper. The freeing of trade within Europe's internal market has contributed to economic expansion over the last two decades. We must pursue the practical work of removing barriers to trade through harmonizing company law, competition law, and taxes. These are useful bricks with which to build economic integration in Europe. But we must not lose sight of the practical objectives of our programme. We should not indulge in a bureaucratic game of harmonization for harmonization's sake. Unless we can be sure that our proposals will lead to more trade, and better conditions for producers or consumers, there is no point in making them.

As well as setting the overall framework for industrial integration the Community has to take action in individual sectors such as steel and shipbuilding where Europe's vital interests are at stake. We all realize that in the storms which have lashed these industries over the last few years—storms which have by no means yet abated—national solutions offer scant protection. Europe as a whole must act to sustain its competitive position. We also have a role to play in industries such as textiles and footwear which are in difficulties because of increased competition from the Third World. Here we have a double responsibility. We have a duty to co-operate in a sensible international division of labour. We must respect the needs of producer countries with far less sophisticated resources than our own. But we should not

impose excessive and sudden strains upon our own industries; and we have a right to ask for cooperation and equality of effort from other industrial countries of the world. At a different level we have, I believe, an even more important role in the area of advanced technology—the aircraft and computer industries provide two obvious, spectacular examples—but there are others where the private sector cannot undertake investment on the necessary scale, where State intervention is therefore indispensable, and where common action promises significant economies of scale. A Community strategy for these sectors is urgently required, and one of the main priorities of our industrial policy will be to achieve such a strategy.

Fourth, the Community must develop a coordinated energy policy. At a time of expensive energy the Community must face up to the need for conservation and increased self-sufficiency. This requires the development of new energy sources, where risks can be great and investment costs high; the JET thermo-nuclear fusion project which the Commission is now impatient to see agreed provides perhaps the best example. The interests of the European taxpayer of today demand a quick decision and the interests of the European citizen of tomorrow demand a positive one. At the same time, we should give a lead in developing a Community strategy for handling the fission nuclear energy problems, in particular in emphasizing our concern for nuclear safety. In the nuclear field choices have to be made, involving a balance of economic, environmental, technological and strategic considerations. The short-term economic case for a big immediate investment in nuclear power stations must be weighed against the possible environmental dangers. It would be intellectually dishonest to pretend at the moment that either we, or anyone else, know precisely how the balance should be struck. These questions are being debated in all our Member States, but if the debate is to produce satisfactory results it should be conducted on a Community as well as a national level. The most valuable contribution we can make at present is to do what we can to ensure that it is openly so conducted, and to take the lead in stimulating this debate. This we shall do.

Fifth, we must help in attacking the problem of *structural unemployment*. The broad decisions which determine total demand are matters for the Member States. We should do all in our power to persuade them to coordinate their policies so as to achieve a balanced economic recovery which does not feed inflation throughout the Community. We should not assume a responsibility for demand management which we cannot fulfil.

Structural unemployment however is a different matter. Full employment cannot be achieved now simply by stimulating demand, and an unacceptably high level of

unemployment may well persist, at any rate in the more vulnerable areas and among the more vulnerable groups of workers, even when economic recovery is running strongly. Here we shall try to promote coordinated labour market policies throughout the Community, working closely with the Member Governments and also with both sides of industry. It will be necessary to use the Permanent Committee on Employment to prepare for the next Tripartite Conference which should neither be too hastily prepared nor too long delayed. The autumn we think, might be a good time for this. We shall also be studying the role of the Social Fund, particularly in the promotion of programmes for industrial training.

Such policies have a double significance. They help to combat one of the central economic problems now facing us. They also help directly to improve the lot of the citizen, and it is to the Community's role in the life of the citizen that I now turn. In our concern with the great issues of economic and industrial policy, we must never forget the need to carry the people of Europe with us. If they fail to see the need for common solutions to common problems, then common solutions will not, in the end, be adopted. If they fail to recognize that the general interest of the Community can transcend the particular interests of the Member States, then the general interests of the Community will not prevail. But a sense of common European identity cannot be fostered just by exhortation. We must make the Community a practical reality in terms of everyday life.

The Commission's General Report for 1976, and the Memorandum annexed to this Address, which I present to you today, contain specific examples of our detailed work, touching the lives of all our citizens. In the coming year, the Commission will either be preparing new proposals or pursuing proposals already made to combat water pollution and protect aquatic life, to see that international conventions against the pollution of the Rhine and the Mediterranean are put into effect, to improve safety standards in nuclear power stations, to protect consumers against misleading advertising, to eliminate unjustified restrictions on the right of migrant workers to receive social security benefits, to safeguard the interests of employees whose firms go bankrupt, to provide vocational training for young workers threatened by unemployment, to make it easier for professional people to exercise their skills in Community countries other than their own, to secure minimum housing standards for handicapped workers and to encourage worker participation in industry.

This catalogue, not exhaustive but illustrative, is not presented to you at random. Running through it are certain common principles which I believe should guide us. We have a duty to ensure that the Community lives up to the ideals on which our

civilization is based—to protect the environment against the dangers of unregulated industrial growth, to protect the weak against exploitation, to safeguard individual freedom and to enhance opportunity. But our resources are limited and where our Member States can act alone effectively and consistently we should not attempt to duplicate that work. On the other hand, certain fundamental problems, common to all the mature industrial societies of the West, cut across frontiers and can only be tackled satisfactorily by common action in a Community framework. For example, no individual Member State can secure full interchangeability of professional qualifications, with all the widening of individual horizons that that can bring. In a common market, the protection of the consumer against unfair trading practices and the protection of the worker against exploitation by his or her employer are also by definition a matter of common concern. It is in these and similar areas that we should act with both realism and imagination.

In the period immediately before us, leading up to the direct election of this House, these practical, often detailed, proposals have a special importance. They will be examined both by you and by the future electorate of the Parliament, with more than ordinary care. It is too soon to tell exactly what the role of a directly-elected Parliament will be, or precisely what effect direct elections will have on its relationship with the other institutions of the Community. But two things are clear. The first is that, as the Community develops and the Community budget increases in size, the need for direct democratic accountability becomes steadily more pressing. The old principle of no taxation without representation cannot be fully honoured by an indirectly-elected assembly, however scrupulously it discharges its responsibilities. To deny the need for direct elections at this stage in the Community's history is in fact to deny one of the fundamental axioms of representative democracy.

Second, it is clear that direct elections will in themselves help to foster a sense of common identity among the electors. The Members returned in these elections will come here as Europeans. They will seek to promote the interests of their constituents at a European, rather than at a national level; they will base their claim to re-election on their performance in a European, rather than in a national, forum. Each time the directly-elected European MP has a speech reported in his local newspaper or appears on his local television programme he will bring the Community home to his electors in a vivid manner; each time he is able to demonstrate that by his activities the interests of his constituents have been directly considered he will win support, not only for himself but for Europe.

I have already promised that this Commission intends to treat the present Parliament as it will treat the directly elected one; and that, in particular, we shall send

no proposal to the Council without seriously and systematically considering whether it is likely to receive the support of a majority here. I repeat that promise now. We must strengthen and deepen the traditional partnership between Parliament and Commission.

Our concern with direct elections does not end there. The authority of a Parliament derives first from the fact that it is elected. But it also depends in part on the proportion of the electorate which takes part in the election, and on the extent to which the electorate is able to comprehend and judge the issues on which the election is fought. The nature of the election campaign and the character of the issues which will be debated in it will, of course, be mainly determined by the political parties and candidates concerned. The Commission as such cannot be engaged in the electoral battle. But I believe that we have a role to play in helping to ensure that the voters who will determine the outcome can judge the issues for themselves.

In less than two years time, I hope substantially less, an electorate of 180 million will be called upon to determine the composition of this House. If the voters are to make an informed decision in the polling booths they must know how the Community works, what questions have to be decided at a European level and why, and what are the different proposals being put forward. We have two clear objectives: to ensure that each voter is aware of the ways in which his own life is affected by decisions taken at Community level and of the way in which he can affect the tendency of those decisions by casting his vote and, at the same time, to ensure that we are aware of the attitudes and aspirations of the voters whose interests we seek to serve. It is a formidable task. It will provide one of the central themes of the Commission's information policy.

As well as strengthening the Commission's relationship with the Parliament, we must take action to strengthen the Commission itself and to make it more effective. When I spoke to you last month, I set before you some of the changes which had just been made in the allocation of responsibilities between Commissioners in the light of our assessment of political priorities. We are reviewing the structure of the Services in the light of political and administrative requirements. We are creating a process of inspection and review: first, to ensure that each Service is as efficient as possible in relation to its objectives; and, second, that the work loads which inevitably change with time, are distributed reasonably between the different Services. A good example is the decision the Commission took last week to create a Directorate-General for Fisheries, where the responsibilities will grow. If we have to ask for any increases in staff, you may be sure it will only be to respond to new priorities and to the increasing tasks which flow from Community decisions.

To achieve the right pattern and quality of work, we must build on the decisions of the previous Commission and work out staff policies which recognize the particular difficulties of this multinational institution and provide the opportunities which those who are working in it have the right to expect. We shall seek to improve the career prospects of officials by improved selection methods and greater mobility within the Services. I hope that this will enable promotions at senior levels to be less limited by problems of national balance. Candidates for promotion may be seen more as experienced and dedicated members of a European service than as individuals with national labels around their necks.

If the internal management of the Commission and the morale of its staff were to be neglected, we would limit our ability to prepare the necessary policies in the areas I have covered. So far these have dealt mainly with the problems of the internal cohesion of the Community, with the interest of the individual citizen in it, and with the need to adapt to the changes of the coming years. All these aspects are brought together, but in a new dimension, as we face the question of the further enlargement of the Community.

Our attitude here stems from our dedication to the ideals of European unity enshrined in the Treaties. Having proclaimed a new way of learning from the bitterness and the weakness of the past, a new way of transcending the restrictions of national sovereignty, we cannot convincingly say that these benefits should be limited only to some European countries. We cannot proclaim a European ideal and a European solution and yet refuse to let European countries anxious and democratically qualified to join from participating in it.

As a Community we can indeed take pride in the fact that there are applicants at our door: it is a sign that we are a rallying point both for democracy and for economic advance. But the prospect of enlargement also presents us with both responsibility and difficulty. We are rightly committed to do everything within our power to give support to the new and therefore frailer democracies of Europe. But we cannot surge forward to enlargement aware only of that commitment and its popular support. Such a growth requires conscious adaptation and adjustment. It requires frankness on both sides of the negotiating table. Our talks with applicant countries have to be carefully planned to face overtly the major problems which enlargement will present both for the Community and for applicant countries. We must examine closely the impact of enlargement on the institutions originally designed for six nations and then made to accommodate nine. The relative political and economic cohesiveness of the Nine is one reason why other countries wish to join. There

would be no sense, either for them or for us, in allowing it to be weakened in the process. That indeed would be self-defeating. The Community must therefore strengthen itself in order to support further enlargement. We must be ready and sympathetic to letting the building grow. But we must not imperil the coherence of the whole structure. It is therefore our determination that the Community takes an overall approach to the question of enlargement. We must appraise what the balance and solidity of the whole edifice will be in the eighties. This should be well understood by our partners in the future negotiations. By placing our future talks on grounds of both realism and perspective we shall be more likely to make a genuine and effective contribution to European unity. The Commission will be sympathetic to enlargement but it will insist that the problems involved in it be faced and not glossed over.

That unity must also be sustained outside Europe in handling our external relations. The Community must endeavour to speak with one voice to the world. There is a desire and expectation outside that we should do so, and I received an encouraging example of this when I met Vice-President Mondale a fortnight ago in Brussels. The new Commission and the new American Administration took office at the same time and for the same period.

We shall play our full part in achieving a firm cooperation between Europe and the United States. There never has been any contradiction between European unity and as close as possible an Atlantic relationship. 'L'unité économique et politique de l'Europe ... et l'établissement de relations de partenaires d'égal à égal entre l'Europe et les Etats-Unis permettront seuls de consolider l'Occident et de créer ainsi les conditions d'une paix entre l'Est et l'Ouest'.¹ So proclaimed the Monnet Committee 15 years ago. This remains essentially the position today. The United States, especially in its approach to the Summit, expects and will welcome a stronger and more coherent European lead. The Commission will play its full part in seeing that it is forthcoming.

In particular, we must be determined to continue to promote constructive cooperation between industrialized countries. We remain committed to the free flow of world trade and to the need for a more than ever determined resistance to the snares of protectionism. The Commission will continue to assist Governments in

¹ The economic and political unification of Europe ... and the establishment of relations between Europe and the United States on a basic of equal partnership are the only way to consolidate the West and to create the conditions for peace between East and West.

this task and it will play its own part in the major forthcoming multilateral trade negotiations and also in the various forums of the United Nations and other international organizations.

The impact of these discussions and negotiations will not only be felt in the industrialized countries but will vitally affect trade policies towards the third world. In this area we must continue to develop the policies initiated by the Lomé Convention and other development aid schemes. The Commission will certainly take the necessary steps to ensure that the Convention is respected and to prepare for the negotiations of what has already been described as Lomé II. We shall continue our efforts to refine and improve the system of generalized preferences and seek to perfect its role as a means of channelling assistance to those countries in greatest need. We plan to develop the Community's food aid scheme.

There are those who from time to time would challenge these development priorities. I would say to them simply that if we are determined, inside the Community, to make clear our concern for our own weaker regions, to deal so far as we can with poverty and unemployment here within our frontiers, we cannot divide that internal concern from the world outside. Concern is indivisible and it would be a mockery of our sense of community were we, because of our own difficulties, simply to lock the gates of our estate and tend our own gardens. Nor should we see in such concern a merely eleemosynary approach, however desirable in itself that may be. There is in the Third World a perhaps unique potential for giving a non-inflationary stimulus to the stagnating economies of the industrial world. Rather as in the decades of the recent past, national economies have prospered by the spread across the social classes of the benefits of growth, so we should seek a second wind for the industrialized economies by giving to the peoples of the poor world the possibility of a significant increase in their standards of living. If done on an imaginative scale, and particularly if accompanied by commodity stabilization arrangements, this could be a major factor in setting us back on the path of growth without inflation.

It is an acknowledged fact that the external appearance and performance of the Community is a story of achievement. The origins of this success are not difficult to identify. First, despite our inner strains and difficulties the Community can and does act in the outside world as a community. Second, an increasingly interlinked European economy, built on a population of 250 million people, accounting for almost half the world's trade, is an economic bargaining force of massive strength. Third, the Community embodies in its constitution and history the unrivalled traditions of Western European democracy, of freedom for the individual within the rule of

law, spanning a lively diversity of cultures. For large parts of the world, therefore, the Community serves as a model of successful democratic cooperation.

However, if this inheritance and its inherent potential for growth and for good, is to be sustained, we cannot simply rest where we are. The approaches and objectives which I have outlined are based on the need to increase the internal strength and coherence of the Community. There is an indissoluble link between the efforts we must make in that sphere and the pursuit of an effective and significant policy towards the outside world. To continue to command its attention and respect, we must match our external actions by a search for greater internal cohesion.

We have here to strike a difficult and delicate balance. We must not promise, as a commission, what we cannot achieve, for if we do so we will merely add to that cynical disillusionment with political persons and institutions which is today one of the greatest menaces to democracy. But at the same time we must not limit our real possibilities of achievement by a deadening caution or an inability to lift our sights. We want our deeds to be a little better than our words. Let us always do more than we promise to do. In this way the great institutions we represent will in a real and practical sense be the means by which we go forward, the very engine of Europe.

**Memorandum annexed to the address
on the programme for 1977**

I — Building an integrated economic unit

Economic, financial and budgetary affairs

Economic and monetary policy

1. In 1977 three major objectives will determine Community action in the economic and monetary field: to set course for a return to full employment while maintaining stability, to curb the persistent tendencies for what has been achieved in the past to be whittled away and to find new forces to promote integration. These objectives concord with the fourth medium-term economic policy programme,¹ which will guide Community policy from 1977 to 1980. As requested by the Tripartite Conference in June 1976, representatives of labour and management will be closely associated with the work involved in developing these objectives. Their pursuit must be seen in the wider context of a joint effort on the part of the industrialized countries, for which the forthcoming economic summit should provide a decisive stimulus, to overcome the present world economic difficulties. A Community position will have to be worked out for this conference. The Commission feels that the Community as such should attend.

2. It is the Commission's intention to convince the Member States' Governments and the public at large that this undertaking will require—in varying degrees for the individual member countries—both a greater convergence of short-term policies and a medium-term strategy.

A greater degree of convergence of short-term policies

3. The Community must direct its main efforts at restoring balanced growth. Here, a major responsibility will fall on the surplus countries: by boosting domestic demand they will enable the other Member States to step up their exports by a sufficient margin. The weaker the growth in demand outside the Community, the

¹ Tenth General Report, point 222.

more important this task will be. For their part the deficit countries will find it easier to carry out their stabilization policies if, thanks to a steady growth in export demand, they can increase their exports and thus reduce their payments deficits and can also make better use of their production capacities. However, the Community's strategy must also be to bring the various economies back onto convergent courses as soon as possible so that the desynchronization of cycles does not accentuate the disparity between the economic strengths of the member countries. The Commission's work programme will therefore have the priorities set out below.

Full employment and stability

4. While remaining convinced that full employment cannot be restored unless a policy to promote medium-term economic growth is implemented, the Commission will, in 1977, pursue its studies of additional strategies to achieve full employment. Great care must be taken to restrict the use of measures aimed at artificially reducing demand for jobs. Because of their negative effects on productivity, such measures would tend to rekindle inflation.

Closer coordination of Member States' budgetary and monetary policies

5. As regards *budgetary policy* the Commission—when setting annual guidelines—intends to take steps to ensure that the short-term and medium-term budgetary policy guidelines are in better harmony, and aim at reducing budget deficits and restricting the growth in public spending as a proportion of the national product.

6. *Monetary policy* will have to be strict in order to keep a tight grip on inflationary pressures and to prevent a cumulative depreciation of the most vulnerable currencies. In its Annual Report on the Economic Situation in the Community, laying down economic policy guidelines for 1977, the Commission for the first time presented intermediate objectives expressed in figures for the monetary policy of the Member States: as the Council has merely set quantitative guidelines, the Commission will seek to gain acceptance for the principle that in future quantitative monetary objectives should be fixed at Community level.¹ This will be its approach for the forthcoming periodical reviews by the Monetary Committee and the Council.

7. The Commission will also endeavour in 1977 to broaden and strengthen the policy it has conducted hitherto to promote *wider use of the EUA*.

¹ Bull. EC 10-1976, point 2201; OJ L 358 of 29.12.1976.

Strengthening solidarity within the Community

8. The balance of payments problems which will continue to beset certain member countries, despite the introduction of strict national policies aimed at restoring better equilibrium, will call for greater solidarity on exchange rate matters. The Commission will therefore persist with the line set out in its communication on economic and monetary action presented for the meeting of the European Council in Luxembourg in April 1976¹ and will continue to work for the establishment of a *link between the snake and the Community currencies* which are floating independently. In this respect it will pay particular attention to the work in progress within the Committee of Governors of Central Banks on the adjustments which should be made to the Community exchange rate system. In connection with the study being made of ways of mobilizing the substantial gold reserves of certain member countries for financing payments deficits, the Commission will continue its work to determine how the *EMCF* could be used. It is planning to put forward formal proposals on the matter in the first half of the year.

9. Consideration should also be given to reviewing the *present ceilings of the financial mechanisms* whereby the Community demonstrates its solidarity. Medium-term *financial assistance* offers only a relatively limited margin, and the ceiling for authorizations concerning Community loans has almost been reached. A raising of the ceilings would also provide an opportunity for introducing a procedure linking the granting of loans more closely with the fulfilment of the conditions attached. The Commission is also planning to mobilize *international financial resources*, making use of the system of Community guarantees; the funds raised would be added to Community aid provided from Member States' contributions. The Commission will consider these matters in detail with the Committee of Governors of Central Banks and the Monetary Committee before putting forward the relevant proposals.

A medium-term Community strategy

10. The Commission feels that the continuing and increasing structural disparities within the Community have been largely to blame for the difficulties encountered recently in furthering integration. It has concluded that to remove these disparities the Community will have to make a much greater effort than in the past to back up work done at national level. Structural differences between member countries—considerable in some cases—mean that some of the countries are less well equipped than others to face up to competitors on the market. In addition, certain serious disequilibria are a major obstacle to the implementation of effective

¹ Bull. EC 4-1976, point 2204.

overall management policies. As was heavily underlined in the fourth medium-term programme, structural measures directed at stepping up investment are essential if underemployment is to be eliminated on a lasting basis.

11. Once the fourth programme has been adopted by the Council, the Commission will set to work on implementing its main lines and adding concrete proposals to back it up. In the same connection it is planning to coordinate more closely the financial instruments which it now administers in order to cope with certain unwanted trends within the framework of a Community investment strategy.

Coordination of the Community's financial instruments

12. This policy of coordination will probably be one of the most original aspects of the Commission's work in 1977. It answers the need for a rational and efficient use of the Community's Funds and other instruments of intervention in support of an overall structural and economic policy serving the interests of the Community as a whole. Action is planned at three different levels:

- (i) coordination of the administration of financial instruments;
- (ii) coordination of the objectives assigned to the various funds in order to achieve a balanced relationship between the amounts allocated to each fund;
- (iii) coordination within the Community's overall economic policy.

13. One of the Members of the Commission has been given responsibility for the coordination of the Community's Funds and other instruments of structural intervention (Regional Fund, Social Fund, EAGGF Guidance Section, credit and investments and European Investment Bank loans).

14. The Commission is shortly to draw up proposals for the renewal of the Regional Fund and overhaul of the Social Fund. In so doing, and in the deployment of the other moneys at its disposal, it will seek to render the whole array of its financial intervention more coherent and more efficient.

Regional policy — Regional Fund

15. The proposals which the Commission will make during the first half of this year, as required by the Regional Fund regulation, concerning the development of Community regional policy and the aid from the Regional Fund during the subsequent period will be the centre point of the Commission's activities in this area.

16. As regards the content of these proposals, the Commission considers that in the present economic situation it is more necessary than ever to make improvements in this field. Although it affects the Community economy as a whole, the crisis will have a particular impact on the less-favoured regions. It should, however, be pointed out here that the Fund is only one of the instruments of the Community's regional policy and can therefore make only a limited contribution to the solution of regional economic problems. If regional disparities are to be eliminated, regional policy must be seen as the territorial dimension of an overall structural policy requiring the coordination of all the Community's general and sectoral policies and of the corresponding financial instruments. These in turn must be closely coordinated with national policies and measures which have regional repercussions.

Social Fund

17. In order to improve employment opportunities and help to raise living standards, and so give a more human face to what the Community is doing, the Commission intends, in the first quarter, to present to the Council a proposal for a review of the rules governing the operation of the Social Fund; the aim is to increase the effectiveness of assistance and exploit to the full, in the present difficult circumstances, the scope offered by the Treaty and by the Council Decision of 1971 on the reform of the Fund. To accompany the proposal, the Commission will make suggestions for improving coordination between the Social Fund, the Regional Fund and the Community's financial instruments.

EAGGF Guidance Section

18. The Commission will endeavour to achieve greater coordination between the EAGGF Guidance Section and the operations of the Community's other structural Funds. Structural policy in agriculture and therefore certain operations of the EAGGF Guidance Section must also be adapted and developed to deal with the problems faced by some regions within the Community.¹

ECSC credit and investment

19. This year the Commission will generally follow the same lines on credit and investment as last year. However, as regards the financing of new activities or the conversion of firms where the result could be the productive re-employment

¹ Point 60 of this Memorandum.

of labour, the Commission hopes, this year, to combine its aid measures in certain particularly less-favoured regions with parallel assistance from the Regional Fund.

EIB loans

20. Although it must be remembered that the EIB is primarily a banking institution, its loans for structural purposes should be more closely coordinated with the operations of the other financial instruments, in particular the Regional Fund and EAGGF Guidance Section and measures taken under the ECSC Treaty.

The Community budget and financial control

21. The Commission attaches great importance to further improvements in budgetary controls, the development of budgetary priorities and the reinforcement of good financial management. This is particularly important in the context of early implementation of the full own resources system, which will impose further constraints in the management of the Community budget. Accordingly, the Commission will seek to get agreement on the technical arrangements necessary for the detailed administration of the own resources system, and for the application of the European Unit of Account (EUA) to the budget from 1 January 1978.¹ It will also seek to further improve the transparency of the budgetary effects of its proposals when it puts these forward to the Council and Parliament. To reinforce good financial management, the Commission will seek to improve further cooperation between national and Community departments involved in the management and control of Community funds, with a view to improving efficiency and thus preventing irregularities at the expense of the Community budget. The Commission will continue to play its part to enable Parliament, and in particular the Committee on Budgets and its Control Subcommittee, to carry out its important task in the budget field.

22. Once the Council has approved the sixth VAT Directive, which should be by 1 March 1977, the Commission will present as soon as possible the necessary proposals to allow financing entirely from *own resources* from 1 January 1978.

23. It will prepare a *first appreciation of the main elements of the 1978 budget* for early examination in a joint Council meeting of Finance and Foreign Ministers on 7 March.

¹ Points 39 and 7 of this Memorandum.

24. The ratification procedures for the Treaty of 22 July 1975 setting up a Court of Auditors are nearing completion. The Commission will do all in its power to assist the start-up of this new control body. It will supplement its communication to the Council of 3 January 1977, relating to the setting-up of the Court of Auditors, by putting forward a proposal in the first quarter for amendment of the Staff Regulations as they relate to the *staff of the proposed Court*.

General policies

Internal market and industrial affairs

Consolidation of the internal market

25. The Commission's main task in the internal market sector will continue to be that of preventing, in the present climate of economic and social crisis, any backsliding on what the Community has already achieved. To further the consolidation of the internal market, legal frameworks will be established where necessary to promote the free movement of goods, persons and undertakings and customs formalities will be simplified. In some of these sectors, many proposals are at present before the Council, in particular concerning technical barriers to trade. In this field, the Commission's main objective is to have the Council adopt the last batch of directives on motor cars, in order to establish fully the EEC type-approval system. It should be pointed out that from 1 July 1977 the enlarged Community will form (apart from some minor exceptions) a single customs area with no duties on trade between Member States and with Ireland, Denmark and the United Kingdom applying in full the Common Customs Tariff to goods from non-member countries. The Commission will also step up its efforts to ensure that, in all the fields relating to the customs union, the Community plays to the full the external role which its responsibilities entitle it to play.

26. To mark the full incorporation of the new Member States in the Community *customs area* on 1 July, the Commission will draw up a report on the *situation of the customs union*. It will pursue its efforts to simplify *procedures and formalities* in line with the objectives set out in its programme of 25 February 1975.¹ In this connection, it will lay before the Council a proposal to reform the system for recovering duties and charges evaded in respect of goods coming under

¹ Ninth General Report, point 73.

Community transit arrangements. The Commission will also press forward with work on *harmonizing customs legislation*, transmitting to the Council two proposals, one on general rules governing duty exemptions and the other on post-clearance collection of duties.

27. With regard to the *removal of technical barriers to trade*, the accent will increasingly be placed on administering existing Community rules, following the recent and significant increase in the number of directives adopted and implemented. Once common standards have been laid down or rules harmonized, the Community, and particularly the Commission, is responsible for constantly adapting them to technical progress and for improving the protection of public health, of consumers, workers, etc. Such adaptation will require either proposals to the Council or Commission directives, depending on the procedures laid down in each of the directives to be amended. A revision of the general programme for the removal of technical barriers should, if necessary, be considered in the near future in this context.

28. Work on *foodstuffs* will also be largely influenced by the possibility of this general revision; the Commission will send the Council a proposal concerning certain additives, the aim being to protect the health of consumers.

29. Following the recent opening-up of the market in *pharmaceutical products*, the Commission will work to a plan, agreed with the Member States,¹ for reconciling this with the objective of a public health policy: in this context, one of its proposals to the Council will be for a new draft directive on the advertising of pharmaceutical products, to replace an earlier draft which it recently withdrew.

30. In the field of company law, following the discussions organized last year on the subject of *employee participation and company structures*,² the Commission will send the Council a revised version of its initial proposal for a fifth directive. A proposal for a directive on the coordination of national legislation on *groups of companies* will also be transmitted together with a proposal concerning *company auditors*.

Industrial structures

31. The Commission is at present developing its new line of action for the next few months in the field of industrial policy. The objective is still that of enabling European industry to adjust to the increased need for change both inside and

¹ Bull. EC 1-1976, point 2108.

² Tenth General Report, point 138.

outside the Community. Action to attain this objective will be along two main lines:

- (i) an attempt to define a common strategy in the advanced technology sectors, where State intervention is often decisive and requires large-scale investments: an effective stimulus can be provided at Community level;
- (ii) coordination of Member States' policies in sectors in difficulty, so that they do not clash or cancel each other out.

In this respect, the Commission is aiming this year at increased selectivity in its efforts to obtain, in specific sectors, tangible results in the short term which are likely to impress the public. To attain this objective regular consultations and constant cooperation will be required with government authorities and the two sides of industry.

32. In specific terms, these general guidelines should in 1977 be reflected mainly in measures in the *iron and steel* and *data processing* sectors and, depending on the course of the work currently being done on previous Commission measures, in the *aircraft*, *electronic components* and *telecommunications* industries. Particular attention will be paid to sectors such as *textiles*, *footwear*, *shipbuilding*, *paper* and *motor vehicles*, where the need for a common strategy is becoming increasingly evident.

Competition policy

Restrictive practices and dominant positions

33. The measures which the Commission proposes to take in 1977 will aim at making it clearer how the rules of competition apply to certain economic situations or industries and at improving existing procedures on certain points.

34. The following measures are planned:

- (i) During the second half of the year the Commission will amend Regulation No 67/67¹ (*block exemption of certain kinds of exclusive agreement*) in order to set out some of the conditions of application more clearly;
- (ii) Once it has received the assent of the Council, it will take a decision under the first paragraph of Article 95 of the ECSC Treaty, concerning *limitation periods in respect of fines etc.*;

¹ OJ 57 of 25.3.1967.

- (iii) During the first half of the year it will request the assent of the Council for an amendment to Decision No 25/67¹ to extend, for certain mergers, *exemption from the need to obtain prior authorization* under Article 66(3) of the ECSC Treaty;
- (iv) During the second half of the year it will send the Council a proposal for a regulation under Article 87, on the application of the competition rules to *air transport*.

State aids

35. This year the Commission will continue to work along two lines in this area. It will seek to ensure that national measures taken allow for the lasting consequences of the economic crisis and are not simply intended to maintain existing structures. It will also try to ensure that, in systematically aiding company investments, Member States do not indulge in pointless outbidding, thereby promoting industrial development which is harmful to their partners.

36. After consulting the Member States, the Commission proposes to review, in the second half of the year, the *regional aid* ceilings it fixed for a three-year period in February 1975. Where necessary, these ceilings will be adjusted to take account of regional developments in the Community. It will also state its view on the compatibility with the common market of most of the regional aid schemes in the Member States.

37. *As regards aids for specific industries*, special attention will be paid in the second half of the year to aid to shipbuilding and footwear manufacture. The Council directive on shipbuilding aid expires at the end of this year; the content of the new directive will largely depend on what progress is made in the work being done to reorganize the industry in other, broader-based, forums (notably OECD).

National monopolies and public undertakings

38. The Commission will continue its efforts to divest *national monopolies of a commercial character* of their remaining exclusive rights in accordance with the latest decisions of the Court of Justice. It will also clarify the Member States' obligations under Article 90 of the EEC Treaty as regards *public undertakings*.

¹ OJ 154 of 14.7.1967.

Tax harmonization

39. The Commission's prime concern at the beginning of this year is to see the proposal for the sixth VAT Directive adopted before 1 March 1977, so that the Community can be financed entirely from its own resources from 1 January 1978.¹ The Commission will carry on implementing the action programme for taxation—transmitted to the Council on 30 July 1975²—taking the steps described below.

Direct taxes

40. In the second half of 1977 the Commission will present a proposal for extending to *collective investment undertakings* the application of the principles of the proposed directive concerning the harmonization of systems of company taxation and of withholding taxes on dividends.

Tax evasion (*indirect taxes*)

41. In the second half of 1977 the Commission will send the Council a proposal on *mutual assistance and cooperation* between national tax authorities in the field of indirect taxes, similar to the one already presented on direct taxes.

Prior consultation procedure

42. The Commission will transmit to the Council in the second half of the year a proposal for introducing a prior consultation procedure for important tax measures which national authorities may envisage in areas coming under the tax harmonization process.

Financial institutions

43. Because of the number and variety of national rules applying in this sector, coordination is still of special importance, the ultimate objective being the integration of the capital markets. The specific aim is to facilitate the effective exercise of freedom of establishment and freedom to provide services, while encouraging cooperation between national inspection departments.

¹ Point 21 of this Memorandum.

² Bull. EC 7/8-1975, points 1401 to 1404.

Banks

44. The Commission will present to the Council proposals for setting up in the Community countries a *deposit insurance system* (second half of the year) and a system of *central risks bureaux* at Community level (first half of the year).

45. In the second half of the year a proposal for a Council directive will be presented, aimed at allowing *housing finance institutions*, particularly those specializing in long-term credit for housing, to operate throughout the Community territory.

Insurance

46. The Commission plans to transmit a proposal to the Council, in the second half of 1977, for a directive to coordinate legislation on *insurance contracts* in order to provide better protection of the insured person and third parties benefiting under the contract.

47. The Commission will also transmit to the Council in the second half of 1977 a proposal for a directive dealing with the problem of *compulsory specialization* enforced by a Member State in the fields of credit insurance, suretyship insurance, legal expenses and costs of litigation insurance and sickness insurance.

Securities markets

48. During the first half of the year the Commission will send the Member States a recommendation concerning a *code of conduct for transactions in securities*, which will cover all professions specializing in this field.

Sectoral policies

Energy policy

49. The Commission will be guided by the work programme which it drew up at the end of 1976 and which was approved by the Council on 21 December.¹

¹ Bull. EC 12-1976, point 2276.

It will concentrate on having the Council adopt proposals currently pending, such as those concerning the Euratom loan, the safeguarding and development of the Community's energy resources, and measures to restrict consumption in the event of difficulties in the supply of crude oil. It also expects to take the following new measures.

General

50. *National energy programmes* will continue to be given detailed sector-by-sector scrutiny using data supplied by the Member States on a harmonized basis. Special attention will be given to their correspondence and compatibility with Community guidelines, and a report will be presented to the Council during the second half of the year. The report will include an examination of the role of the policy on energy prices.

51. The second periodical report investigating what can be done to make greater progress in the *rational utilization of energy* and examining the results of applying the directives and recommendations already issued will be sent to the Council during the first half of the year. It will be accompanied by further proposals on heating systems for industrial premises, combined heat and power production by district heating plant and investment in the domestic heating sector.

Individual sectors

52. During the first half of 1977 the Commission will present a proposal for a decision creating a mechanism for subsidizing the buffer stocks of *coal*.

53. The Commission will take a number of steps for the practical implementation of common policies on *oil and natural gas* during the first half of the year:

- (i) There will be a communication to the Council on the general problems facing the Community's refining industry, i.e. its present excess capacity as compared with foreseeable requirements, the adjustments needed to meet the change in demand (light and heavy products) and the difficulties created by the rise in imports of refined products from producing countries. The Commission will be presenting appropriate proposals.
- (ii) The Community provisions on emergency oil stocks need to be supplemented or brought up to date as regards the management of these stocks, the constitution and maintenance of such stocks in Member States other than those in which the companies required to maintain stocks are established, and the treatment of domestic oil production.

(iii) A third set of proposals concerning support for technological projects in the oil and natural gas sector will be sent to the Council.

54. In the *nuclear* field, the Commission will:

- (i) make a detailed examination of the problems arising at the various stages of the fuel cycle—from the supply of natural uranium to the disposal of radioactive waste—and will present appropriate proposals;
- (ii) collaborate closely with the Member States on the questions raised in the public debate on nuclear energy, in view of the future importance of nuclear energy in the energy balance and the need to push ahead with nuclear construction programmes;
- (iii) transmit new medium-term guidelines for nuclear-based electricity to the Council in the second half of the year.

As regards *nuclear safeguards*, the Commission plans further action on physical protection in the second half of the year, particularly in the form of proposals to harmonize the level of physical protection in the various Member States.

Common agricultural policy and fisheries

55. In 1977 the Commission will keep the common agricultural policy trained broadly on two things—stable markets in agricultural products, particularly dairy products, and eliminating the obstacles to a smoothly operating unified agricultural market, such as the compensatory amounts. The price proposals for 1977/78 will be submitted as soon as possible; the Commission will then go thoroughly into the basic problems in the agricultural sector, both on the socio-structural side and in connection with regional and earnings imbalances, and submit its findings together with appropriate proposals. A number of important proposals are before the Council, notably for continuous adjustment of the monetary compensatory amounts, for bringing the milk products markets into better balance and for improving agricultural structures. The Commission will also set about establishing new market organizations when the Council has reached decisions on the relevant proposals: these concern the alcohol, potato and mutton and lamb sectors.

56. In the fisheries sector, the most immediate problem is that of the interim arrangements to be applied with effect from 1 January 1977 following the decision by the nine Member States to extend their fishing zones to 200 miles on that date. The Commission will continue its efforts to push through its proposal for setting up, at the latest for 1978, a Community system for the conservation and manage-

ment of fishery resources, which will be the instrument of a coherent general policy in the coming years. For the external aspects, see point 103.

57. The Commission will take new steps in the following areas:

58. With regard to *markets*, it will transmit to the Council:

(a) to deal with the market situation

proposals for measures to establish a better balance on the market in colza and durum wheat;

(b) in the light of experience gained

a proposal for adjusting the common organization of the market in fishery products.

59. The Commission will take the following measures concerning the harmonization of legislation:

(a) in the *veterinary field*, it will continue its harmonization work by transmitting new proposals to the Council during the year, particularly as regards disease eradication and protection measures;

(b) on *animal feedingstuffs*, the Commission will be presenting proposals to the Council, in the second half of the year, on bioproteins and other basic constituents of feedingstuffs.

60. Finally, on *structures*, the Commission will present to the Council a report which will serve as a basis for the regular review of the measures provided for in the existing directives,¹ the aim being to increase their effectiveness (first half of the year).

61. The Commission will give most urgent consideration to the problems of *Mediterranean agriculture* and will send the Council a report on the subject, with appropriate proposals.

62. With respect to *external trade in agricultural products*, which shows an increasing gap between imports and exports, the Commission will give constructive thought to ways of rationalizing trade policies.

¹ OJ L 96 of 23.4.1972: 72/159/EEC (modernization of farms), 72/160/EEC (measures to encourage the cessation of farming), 72/161/EEC (socio-economic guidance and the acquisition of occupational skills); OJ L 128 of 19.5.1975: 75/268/EEC (mountain and hill farming and farming in certain less-favoured areas).

Transport policy

63. Under the programme which it drew up in October 1973¹ the Commission will extend its activities in three sectors:

- (i) *operation of transport markets*: a new attempt will be made to define the capacity and the framework for competition between undertakings and modes of transport;
- (ii) *infrastructure*: action to coordinate investment and promote projects of Community interest will be developed;
- (iii) *railways*: measures to put railways on a sounder footing in accordance with the Council Decision of 20 May 1975² will be given a powerful impetus.

64. In these three sectors the Commission will in particular need to ensure that the Council discusses and adopts a large number of the proposals pending, for instance those on infrastructure. It will also have to present some new proposals, including the following:

- (i) proposals to complement those presented in accordance with the October 1975 communication on the operation of surface transport markets, particularly regards serious disturbances of the market (second half of the year);
- (ii) a proposal — initially planned for 1976 — on comparability of railways' accounting systems and uniform costing principles, in connection with the implementation of the abovementioned Council Decision (first half of the year);
- (iii) a proposal laying down the procedure for determining compensation in respect of tariff obligations not covered by existing rules³ (second half of the year);
- (iv) a new proposal on the weights and dimensions of commercial vehicles, designed to admit to free circulation between Member States certain types of commercial vehicle, particularly the heaviest (second half of the year).

¹ Supplement 16/73 — Bull. EC.

² OJ L 152 of 12.6.1975: Council Decision of 20 May 1975 on the improvement of the situation of railway undertakings and the harmonization of rules governing financial relations between such undertakings and States.

³ OJ L 156 of 28.6.1969: Council Regulation (EEC) No 1191/69 of 20 June 1969 on action by Member States concerning the obligations inherent in the concept of a public service in transport by rail, road and inland waterway.

Research and science policy

Scientific research and technological development

65. At the beginning of this year the Commission is waiting for decisions on two matters before the Council. The Commission is expecting the Council to take a formal decision to implement a new multiannual JRC research programme for 1977-80¹ following the agreement in principle already reached. Secondly, it is conducting a vigorous campaign to persuade the Council to adopt the section of the fusion programme concerning the JET (Joint European Torus) and to state its position as regards the site for the JET. The Commission also plans to make the following new proposals:

66. In the first half of the year it will present a *comprehensive report* to the Council taking stock of activities since January 1974 with a view to working out the broad lines of a common policy in science and technology. This report will also contain:

- (i) an outline action and coordination programme for research and development from 1977 to 1980 concentrating on the following three overall objectives: satisfaction of basic needs (food, health, energy, raw materials, security), promotion of economic and social progress (new technology, working conditions, employment) and constant improvement of the quality of life (environment, town and country planning, social research);
- (ii) a coordinated approach to long-term technological evaluation;
- (iii) the promotion and coordination of the distribution, exchange and best use of knowledge both in common R & D activities and in coordinated national activities.

67. As regards the main specific measures to be taken during the year, the Commission will be:

- (i) presenting a proposal to the Council during the first half of the year for common R & D projects to be given priority in the *raw materials* field with a view to increasing Community self-sufficiency;
- (ii) presenting a proposal to the Council in the first half of the year for an action programme on *medical research* putting forward measures for the prevention and early detection of disease and for the rehabilitation of those persons affected;

¹ Bull. EC 5-1976, points 1301 to 1306; 11-1976, point 2253.

- (iii) preparing a preliminary list of Member States' activities in the field of *scientific cooperation with the developing countries* and suggesting, in the second half of the year, those areas where a Community effort could strengthen and supplement these activities;
- (iv) analysing the problems inherent in forecasting *climatic disturbances* and their effect on water supplies, and sending the conclusions to the Council in the second half of the year.

External relations in the nuclear field

68. The Commission will:

- (i) complete the negotiations under way on a *cooperation agreement between Euratom and Switzerland* on controlled thermonuclear fusion and plasma physics and renegotiate the cooperation agreement with *Canada* on safeguards;
- (ii) during the first half of the year, send proposals to the Council on the Community's external relations in the nuclear field, particularly as regards *supplies of nuclear fuels*.

Scientific and technical information and information management

69. In carrying out the first three-year plan (1975-77)¹ the Commission will, from the second half of 1977, make proposals concerning in particular the development of *Euronet*, the embryo of the future public network for the transmission of scientific data. Parallel with proposals on a common science and technology policy,² it will also, during the first half of the year, present proposals concerning the *evaluation, dissemination and utilization of research findings*; the Scientific and Technical Research Committee was consulted on these proposals last year.

70. In the first half of the year, the Commission will propose to the Council a *second action plan* aimed at enlarging the range of subjects covered by Euronet to include economic and social information, helping independent users to make better use of the resources offered by the system and encouraging the development of information management technology.

¹ Ninth General Report, points 338 and 339.

² Point 66 of this Memorandum.

II — A citizen's Europe

71. The Commission is resolved to work towards a citizen's Europe.

Preparations for direct elections to the European Parliament

72. To underscore the importance it attaches to this, the Commission has assigned its Vice-President with special responsibilities the task of keeping in touch with public opinion, and with the Governments, on the preparations for the elections. It intends to do all it can to help ensure that these take place on schedule under optimum conditions.

Special rights for European nationals — Passport union

73. Results to date both as to *special rights for European nationals* and to *passport union* are disappointing.¹ The Commission will make the most of every opening that offers for agreement on the European passport and passport union, and will encourage the preparatory work on special rights—particularly as regards participation by migrant workers in local elections—in the hope of achieving some preliminary results in the Council in the near future.

Employment and social policy

74. A first important focus of activity in this field will be the revision of the Social Fund, which should take place before 1 May.² Increased efforts will be

¹ Tenth General Report, point 136.

² Point 17 of this Memorandum

made with the aim of putting into place the Community's employment policy and of intensifying cooperation with employers' and workers' representatives in the framework of the Tripartite Conferences. It is in this spirit that the Commission has decided to bring together the principal responsibilities for the whole area of employment problems, social affairs and questions relating to the Tripartite Conference. Furthermore, the Commission will continue to work towards better working and living conditions.

Employment

75. During the first half of the year the Commission intends to send the Council a communication on the broad lines and methods of an employment policy for the coming years. It will be presented to the Standing Committee on Employment at the same time. In the first half of the year the Commission will also adopt a recommendation to the Member States on vocational training for young people who are unemployed or threatened with unemployment; in the second half of the year it will prepare a draft recommendation on the vocational guidance and training of women.

Living and working conditions

76. As a contribution to the search for greater equity in the area of *income and capital*, an aim set out in the fourth medium-term economic policy programme and adopted by the Tripartite Conference of 24 June 1976, the Commission—in collaboration with management and workers—will prepare proposals, in particular as regards low wages and capital formation among workers, which it will send to the Council in the second half of the year.

77. Towards the end of the year the Commission will transmit to the Council the second *European social budget* (1976-80) outlining the medium-term trend in social expenditure and financing in the Member States.

78. As part of the implementation of the action programme for *migrant workers*¹ the Commission will present to the Council:

- (a) in the second half of the year, proposals intended to eliminate certain unjustified restrictions on the rights of migrant workers as regards social security which still exist in Community regulations;

¹ OJ C 34 of 14.2.1976: Council Resolution of 9 February 1976.

- (b) during the second half of the year, a draft regulation on the coordination of social security schemes for self-employed workers moving within the Community;
- (c) during the first half of the year, proposals on the measures to be taken to organize consultations between Member States concerning their policies on the immigration of workers from non-member countries.

79. During the first half of the year the Commission will present to the Council a recommendation on minimum housing requirements for *handicapped persons*.

80. As regards the *social protection of workers*, the Commission will send to the Council in the second half of the year a report on the situation of workers affected by individual dismissals. During the same period it will present a report on the problems involved in the protection of workers in the event of the bankruptcy of a firm and on the protection of young people at work.

81. With regard to *worker participation* in the management of undertakings, see point 30.

Participation of the two sides of industry and strengthening of the instruments of social policy

82. Lastly, the Commission will seek to have *employers and workers participate* more fully in the economic and social decisions of the Community through a more wide-ranging and intensive use of the Tripartite Conference, the Standing Committee on Employment and the joint committees. It will also begin considering how to make Community action in the social and employment fields more effective through greater use of *more binding legal instruments* than recommendations.

Protection of consumers' interests

83. The Commission has underlined its determination to devote greater attention this year to consumer affairs. New activities will centre on the protection of consumers' economic interests and on consumer information. The Commission will therefore present to the Council:

- (a) in the first half of the year, a proposal for a directive on *correspondence courses* organized by private bodies; the aim is to prevent persons who use such services from being cheated;
- (b) in the first half of the year, a proposal for a directive concerning *unit pricing* on certain foodstuffs; and, in the second half of the year, a proposal laying down general principles for the *informative labelling* of products;

- (c) in the second half of the year, two proposals for directives on *consumer credit* and *misleading advertising*.

Environment policy

84. The Commission intends to step up its activities in the environment field. In 1977 it will concentrate on four basic priority themes:

- (a) measures to combat *water pollution*;
- (b) evaluation of measures to *prevent* the deterioration of the environment;
- (c) anti-waste campaign based on a policy to encourage *materials recycling*;
- (d) the implementation of the international conventions on the *Rhine* and the *Mediterranean*.

85. To attain its priority objectives the Commission will transmit the following new proposals to the Council:

- (a) in the first half of the year, as part of its fight against water pollution, a proposal for a directive on the protection of underground water and a proposal for a directive on measuring methods and sampling frequency to supplement the 1975 directive concerning the quality of surface water intended for the abstraction of drinking water;¹ a proposal for a directive on the notification of industrial activity concerning certain dangerous substances and preparations, which is intended to prevent the repetition of accidents similar to the one at Seveso, and a proposal for a Council recommendation to the Member States on the evaluation of the costs of the anti-pollution campaign in industry;
- (b) in the second half of the year, proposals for directives on the quality of water for agricultural use and for the protection of aquatic life in general, and proposals to limit the discharge of various particularly harmful pollutants;
- (c) during the year—three new proposals for directives concerning anti-noise measures.

Education

86. The Commission's activities here will hinge around implementing pilot schemes, exchange programmes, seminars and studies planned under recently

¹ OJ L 194 of 25.7.1975.

adopted action programmes.¹ Foremost among these activities will be those intended to facilitate the transition of young people from education to working life. Proposals for measures to enable teachers to spend part of their career in a Community State other than their own will be transmitted to the Council in the second half of the year.

Freedom to engage in professional activities

87. The Commission's main concern will be to see the adoption by the Council of a number of directives already before it relating to lawyers, architects, nurses and midwives. At the same time it will put forward new proposals concerning pharmacists (to replace the one recently withdrawn) and a blanket directive applying transitional measures to all occupations for which it is not absolutely essential to adopt a coordination directive.

Informing the man in the street

Inside the Community

88. The Commission attaches special importance to a more comprehensible presentation of Community activities. Its aim is to show citizens more clearly how Community decisions affect their daily life. The President will henceforth take overall responsibility for all the Commission's information operations.

89. Priority among the media will be given, as in the past, to the international press, radio and television, which are represented in Brussels by experienced correspondents. In order to reach a wider public, increasing use will be made of television. Written information and visits will continue to play an important role, principally in informing specific target groups.

90. Direct election of the European Parliament by universal suffrage will be the main topic of the information programme for 1977. The twentieth anniversary

¹ OJ C 38 of 19.2.1976: education action programme adopted by the Council and the Ministers of Education meeting within the Council on 9 February 1976; OJ C 308 of 30.12.1976: four-year Community action programme adopted by the Council and the Ministers of Education meeting within the Council on 13 December 1976, comprising measures to improve the preparation of young people for working life and to facilitate their transition from education to working life.

of the signing of the Treaties of Rome will provide an opportunity for putting the Community's past achievements in the limelight, while in view of the economic crisis, and in particular inflation and unemployment, great care needs to be given to the presentation of the Community's ways of tackling existing problems and of preparing for the future.

Outside the Community

91. Besides the general topics which will also be given prominence in the programme for the Member States, the Commission will continue to pick out the subjects of particular relevance to each area. The main regions or groups of regions concerned are the major trading partners (United States, Canada, Japan, EFTA countries), the Lomé Convention countries, the Mediterranean area, Latin America and certain countries in Asia. Special attention will be paid to information for the developing countries.

92. The Commission's operations will be directed principally towards persons with administrative and governmental responsibility and those who are in a position to influence world opinion: the press, radio and television, politicians and administrators, industry and commerce, the trade unions and the universities. Lastly, cooperation with the diplomatic missions of Member States will be continued and expanded.

III — Europe in the world

93. The Commission is to continue the intensive international activities engaged in last year, with appropriate adjustments to reflect the new situation with its two important features. Firstly, the multilateral aspects of the Community's external relations have grown in importance with, for instance, the continuation of the North-South Dialogue, the follow-up to UNCTAD meetings, the GATT negotiations which are now entering a crucial stage and the Belgrade conference forming part of the implementation of the Conference on Security and Cooperation in Europe. Secondly, looking towards the establishment of a new world economic order, the Community must rapidly find answers to a number of major problems to satisfy the hopes which its initiatives have raised in the world. It will have to state its choice of priorities and increase its economic and political cohesion, without which it cannot play its proper international role.

Instruments of general trade policy

94. On the *import side of trade policy*, the Commission, given the difficult economic situation which the Community is experiencing, will pay particular attention to the trade practices of non-member countries which might be unfair or tend to harm a Community industry. A signal event this year will be the transfer to the Community of the responsibility for anti-dumping policy which Ireland and the United Kingdom still hold under the Treaty of Accession.

95. On the *export side*, a proposal concerning the harmonization of *credit insurance* systems will be presented to the Council in the first half of 1977.

The multilateral framework

96. The ministerial meeting of the *Conference on International Economic Cooperation* to conclude the work of the Conference, originally due to be held

in December 1976, was postponed until the beginning of 1977. This event will require intensive preparation by the Community, and more especially by the Commission. The Community is still putting together its definitive position on the key issues on which the success of the Conference depends. The main problems are related to the transfer of resources and raw materials (the integrated programme and its Common Fund). However, agreement on these issues is not enough to make the Conference a success. Other important questions have still to be solved, notably in the fields of energy, industrial cooperation (including investments and the transfer of technology), access to markets and resources, and food and agriculture.

97. For its part the Commission will continue to implement the programme drawn up in 1976 in the framework of *UNCTAD*. It should help in particular with drawing up a Community position in preparation for the negotiating conference on the Common Fund, to be held in Geneva in March 1977. It will also be working in preparation for a meeting of the Trade and Development Board, probably to be held towards the end of 1977, to deal in particular with debt burdens and the least-developed countries. The Commission will also be helping to prepare the Conference of Plenipotentiaries on the Code of Conduct on Transfer of Technology planned for late 1977 or early 1978. In the same context it should also apply itself to drawing up common positions and possible measures in preparation for:

- (i) meetings of groups of experts on East-South relations;
- (ii) the eighth special session of the Trade and Development Board.

98. The thirty-first regular session of the *United Nations General Assembly* will probably be reconvened in order to assess the results of the Conference on International Economic Cooperation. In this discussion the Member States of the Community should adopt common positions in view of the fact that it is the Community as such that is participating in the CIEC. The Commission will make the necessary proposals. At its next regular session in the autumn, the General Assembly will probably adopt a resolution on the preparation of the third United Nations development decade. This will likewise call for Community positions both on problems where the strategy is within the scope of the Community and on problems which are of special relevance to the common market; a coordination of political viewpoints will also be necessary.

99. In view of the fact that the participants in the *multilateral trade negotiations in GATT* aim to complete the negotiations towards the end of the year, the Com-

mission will present to the Council any proposals which may be necessary to enable these negotiations to arrive at a mutually satisfactory conclusion.

100. The Arrangement regarding International Trade in *Textiles* concluded in Geneva at the end of 1973, to which the Community is a contracting party, expires on 31 December 1977. The Commission will have to open negotiations with a view to renewing this arrangement during the year, as soon as the Council has acted on the recommendation for a decision authorizing it to start negotiations.

101. The bilateral agreements between the Community and several non-member countries (India, Pakistan, Hong Kong, Macao, Singapore, Korea, Malaysia, Japan, Brazil, Colombia, Egypt, Yugoslavia and Romania) under the international arrangement also expire on 31 December 1977. During the second half of the year the Commission intends to present the proposals necessary for renegotiation. Agreements which may be concluded in the meantime with other countries (Mexico, Poland, Hungary and Thailand) and which are not planned to extend beyond 31 December 1977 will probably also have to be renegotiated.

102. A new session of the *United Nations Conference on the Law of the Sea* will begin next April. This session will deal in particular with the establishment of 200-mile maritime economic zones, the sharing of resources from the continental shelf and the setting up of an international sea-bed authority. The Commission will put forward proposals in preparation for this session.

103. With regard to *external fishery problems*:

- (a) The Commission is at present negotiating a framework fishery agreement with Norway, Iceland, The Faeroes, Sweden, Finland, Spain, the United States and Canada. The Commission will soon have exploratory talks on fishing with Portugal, Senegal and Guinea-Bissau. Certain countries which have been excluded from the new Community zone—Romania, Japan, and South Korea—have also expressed an interest in negotiations;
- (b) As regards the East European countries, both the German Democratic Republic and Poland have formally expressed their willingness to enter into discussions with individual Member States, without referring to negotiations with the Community as such; however, no official response has yet been received from the Soviet Union. Meanwhile, fishing activity in the Community zone during January by vessels of these countries, which was not previously notified along the lines laid down by the Community, has been out of all proportion to their interim fishing quotas. The Council therefore decided in January to submit such fishing activities, at present allowed until 31 March 1977, to a licensing procedure applicable from the beginning of February.

Policy on developing countries

104. In accordance with the resolution adopted by the Council on 8 November 1976,¹ the Commission will send to the Council in the first half of the year a document setting out its views on the reciprocal implications of the Community's external and internal policy and of development policy.

105. The Commission will be continuing its efforts to improve and refine the *generalized system of preferences* by emphasizing its role as a means of channelling assistance to the most needy countries. The preferences scheme for 1977 already differentiates between more competitive and less favoured countries in the textiles sector and the Commission will put forward proposals to extend this distinction to the full range of industrial products covered by the scheme if the application to textiles proves satisfactory. The Commission will also take further steps to improve the utilization of the Community's scheme. In addition to the usual programme of seminars in beneficiary countries, a handbook on the GSP will be published.

106. In respect of *food aid*, once the Council has taken a decision in principle on the proposals for increasing, over a period of three years, the overall quantities of food aid to be provided by the Community, the Commission will present the three-year food aid proposals.

107. UNCTAD Resolution 93(IV) provides for the Community participation in the meetings to draw up an integrated programme for eighteen *commodities*. The Commission will be making proposals to this end before March 1977 and will participate in all negotiations on this subject. With regard to existing international commodity agreements, 1977 will see, from April onwards, negotiations on the revision of the prices contained in the 1975 International Cocoa Agreement and negotiations on the renewal of the 1973 International Sugar Agreement.

108. The Commission will also present proposals to the Council in the first quarter of this year concerning the implementation of the 45 million u.a. appropriation entered in the 1977 budget for technical and financial assistance to *non-associated developing countries*.

Relations with certain Latin-American and Asian countries

109. The 'management' of relations with the *Latin-American* countries is being actively pursued at both bilateral and multilateral level. The same applies for the

¹ Bull. EC 11-1976, point 2317.

developing countries of southern and south-east Asia. The Joint Committees recently set up with *Bangladesh, Pakistan* and *Sri Lanka* offer a broader base for developing trade cooperation between the Community and these countries. With regard to *India*, a report will be prepared on the prospects of trade cooperation between the respective economic operators; this will serve as a basis for the future work of the Joint Committee. As part of the work of the Joint Study Group with the countries of the *Association of South-East Asian Nations* (ASEAN), the Commission has undertaken to organize a high-level conference at which representatives of industry, trade and finance in the Community will discuss possibilities for mutual cooperation with their counterparts in the ASEAN countries (April 1977).

110. The negotiations with *Iran* for an economic and commercial cooperation agreement will continue in the coming months.

Implementing the Lomé Convention

111. With all the structure of the *Lomé Convention* now in place, efforts must now concentrate on speeding up operations. The Commission will be taking steps to set in motion the regional measures of financial and technical cooperation; it will also act in liaison with the European Investment Bank so that industrial cooperation can become operational and, in particular, so that the Centre for Industrial Development can soon start work.

Cooperation with the Maghreb, Israel and the Mashrek

112. Without waiting for the ratification procedures of the Cooperation Agreements with *the Maghreb, Israel and the Mashrek* to be completed, the Commission, in liaison with the European Investment Bank, will continue the preparations to enable the first cooperation projects with those countries to be implemented. It will also present proposals to the Council for the first review of the Mediterranean agreements, due some time after 1 January 1978 for the Maghreb and Israel (communication to the Council during the second half of the year).

The Euro-Arab Dialogue

113. The work to be undertaken within the framework of the Euro-Arab Dialogue will be based essentially on the results of the second meeting of the General

Committee of the Dialogue, to be held in Tunis from 10 to 12 February. Provided the question of their financing is satisfactorily solved, work will centre on the implementation of the initial cooperation programmes and projects which have been worked out by the experts.

European Mediterranean countries

114. As regards the administration of the *association agreement with Greece*, the Commission will propose, in the first half of the year, on conclusion of the preparatory work by the association organs, measures designed to achieve the aim of harmonizing agricultural policies.

115. The Community's relations with *Turkey* should be considerably strengthened in 1977. In particular, the Community has displayed its willingness to develop cooperation and adopt measures giving greater protection to Turkish industry—especially industries in their infancy: in this connection, the Commission, in collaboration with the Turkish Government, will attempt to find practical solutions to the problems raised by Turkey at the Association Council meeting on 2 March 1976.

116. The agreement which will mark the conclusion of the negotiations with *Spain*, interrupted in 1974/75, should be negotiated during the first quarter.

117. The Commission will transmit to the Council during the first half of 1977 proposals for negotiating the second stage of the agreement with *Malta*.

118. The association agreement with *Cyprus* should be supplemented by a protocol under the overall approach, as all the other Mediterranean agreements have been. During the first half of 1977, the Commission will put before the Council proposals to begin negotiations, which it has been impossible to consider so far because of the country's present difficulties.

119. As regards *Yugoslavia*, the Commission will be presenting proposals during the first half of the year based on the Council decision concerning the strengthening of cooperation and the latest contacts between the Yugoslav authorities and Commission representatives.

Relations with the other industrialized countries

120. The Commission's activities in this field will be guided by the general desire to help solve the common difficulties facing the economies of the Western world

by improving the organization of relations between the Community and its main partners. In this spirit it will devote its efforts, in particular, to preventing direct or indirect recourse to protectionist measures, the effect of which would be detrimental to all.

121. Relations with the *United States* will continue to be a focal point in the Community's external activities. The Commission is confident that the spirit of cooperation between Europe and the United States which has recently emerged will make it possible to find solutions to a number of matters of principle and unsettled questions which the new US Administration must deal with. These include legal proceedings against remission of VAT in respect of Community exports, and against exports that have received regional aid. Similarly, quotas applied in June 1976 are still limiting Community exports of special steels to the United States. Thus the regular high-level consultations are assuming more and more importance and working relationships will have to be established with the new Administration. The visit of the US Vice-President in January marked a satisfactory beginning.

122. Now that the Framework Agreement for Commercial and Economic Co-operation between the Community and *Canada* has come into force, the Commission will in the course of the year start the gradual implementation of cooperation projects with Canada through the agency of the recently formed Joint EEC-Canada Cooperation Committee.

123. In accordance with the conclusions reached by the European Council when it met in The Hague on 29 and 30 November,¹ the Commission will continue discussions with *Japan* to investigate the problems arising from trade relations between the Community and Japan. Regarding exports, the sector-by-sector approach agreed between the Commission and the Japanese Government in June 1976 will continue with a view to rapidly giving European products access to the Japanese market in specific sectors where Japan has maintained both tariff and non-tariff barriers. Concerning imports, to solve the problems which have loomed up in certain industries closer collaboration will have to be established and this will call for intensive negotiations.

124. A second round of informal high-level talks with *Australia* and *New Zealand* will take place in Canberra and Wellington early in March. These consultations will review the main difficulties between the two parties from both the bilateral and multilateral angle. Then, in connection with the implementation of Protocol 18 to the Act of Accession, the Commission will examine, in the first

¹ Bull. EC 11-1976, point 1114.

half of the year, an adjustment of cif prices for butter and cheese exported by New Zealand which should allow for changes in the levels and trend of prices for those products (in both the Community and New Zealand). Furthermore, in accordance with the statement issued following the European Council meeting in Dublin in March 1975, the Commission will in the course of the year be examining the situation as regards imports of New Zealand cheese, for which Protocol 18 makes no provision beyond 31 December 1977.

Relations with the State-trading countries

125. The Commission will continue the talks begun in 1975 with representatives of *China* for the purpose of concluding a trade agreement on the basis of the outline agreement transmitted by the Community in November 1974.

126. In November 1976 the Community proposed to the Chairman of the *CMEA* Executive Committee a draft agreement defining the forms of and procedures for relations between the Community and the *CMEA*: the Commission is waiting for a reply to this offer in order to start negotiations on this basis on behalf of the Community.

127. At the same time, the Commission is still ready to embark on negotiations for trade agreements with individual *member countries of the CMEA* on the basis of the outline agreement addressed to them in November 1974.

128. On the multilateral side, the Commission will take part in the meeting of Foreign Ministers' representatives to be held in Belgrade in the second half of 1977 to study the implementation of the Final Act of the *Conference on Security and Cooperation in Europe*.

IV — Enlargement of the Community

129. The Commission attaches utmost importance to the question of the future enlargement of the Community. It has therefore instructed its Vice-President with special responsibilities to give priority to matters concerning enlargement and to any measures concerning Community policies or instruments which may be required by enlargement.

130. As the *accession negotiations with Greece* proceed (at the rate of a ministerial meeting every three months and an ambassadorial meeting every month), the Commission will present formal proposals to the Council to resolve any problems which may arise. The Commission is also examining the Community secondary legislation with the Greek authorities.

Improving statistics

131. The Statistical Office's plans for 1977 fall in with the statistical programme for 1977-79 which the Commission has already transmitted to the other institutions. Among the subjects to which the Office will be giving priority in 1977, the following should be mentioned:

- (i) the statistical implications of political developments in relations between the Community and certain countries or groups of countries (statistics for non-Community countries);
- (ii) the introduction of a new system of industrial statistics;
- (iii) the establishment of a work programme to achieve an integrated and harmonized Community system of statistics on prices and price indices;
- (iv) improvement of the efficiency of systems of processing and disseminating statistical information.